

**EAGLE GROVE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Combining Statement of Revenues, Expenses and Changes in Net Assets	G 21
Combining Statement of Cash Flows	H 22
Notes to Financial Statements	23-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund	32
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 37-38
Comparison of Taxes and Intergovernmental Revenue	4 39
Schedule of Expenditures of Federal Awards	5 40
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	41-42
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance	43-44
Schedule of Findings and Questioned Costs	45-48

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2003 Election)

Jon Rowen	President	2005
Colleen Bartlett	Vice President	2003
Darrell Pedersen		2005
Michael Boyd		2004
Jeff Rhode		2004

(After September, 2003 Election)

Jon Rowen	President	2005
Colleen Bartlett	Vice President	2006
Darrell Pedersen		2004
Michael Boyd		2005
Jeff Rhode	(Resigned January, 2004)	
Ann Motley	(Appointed January, 2004)	2004

SCHOOL OFFICIALS

Rodney Montang	Superintendent
Teresa Sadler	District Secretary/ Treasurer

Independent Auditor's Report

To the Board of Education of the
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Eagle Grove Community School District, Eagle Grove, Iowa as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Eagle Grove Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the general purpose financial statements, Eagle Grove Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.

In accordance with Government Auditing Standards, we have also issued our reports dated September 23, 2004 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 34 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

September 23, 2004

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,548,714 in fiscal 2003 to \$6,624,377 in fiscal 2004, while General Fund expenditures increased from \$7,010,833 in fiscal year 2003 to \$7,149,695 in fiscal 2004.
- The increase in General Fund revenues was primarily attributable to increased grant activity. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. The decreased in the unreserved General Fund balance is primarily attributable to the across the board cuts and the failure of the Legislature to fund adequate allowable growth.
- The District passed the School Infrastructure Local Option Sales Tax for Wright County. The tax was implemented July 1, 2003. Proceeds are being used for building/debt relief.
- The District passed a bond issue for the construction of a new elementary school, along with remodeling and additions to the middle school.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the Government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the *short term*, as well as, what remains for future spending.
- The statement for *proprietary funds* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as food services and community education.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Eagle Grove Community School District

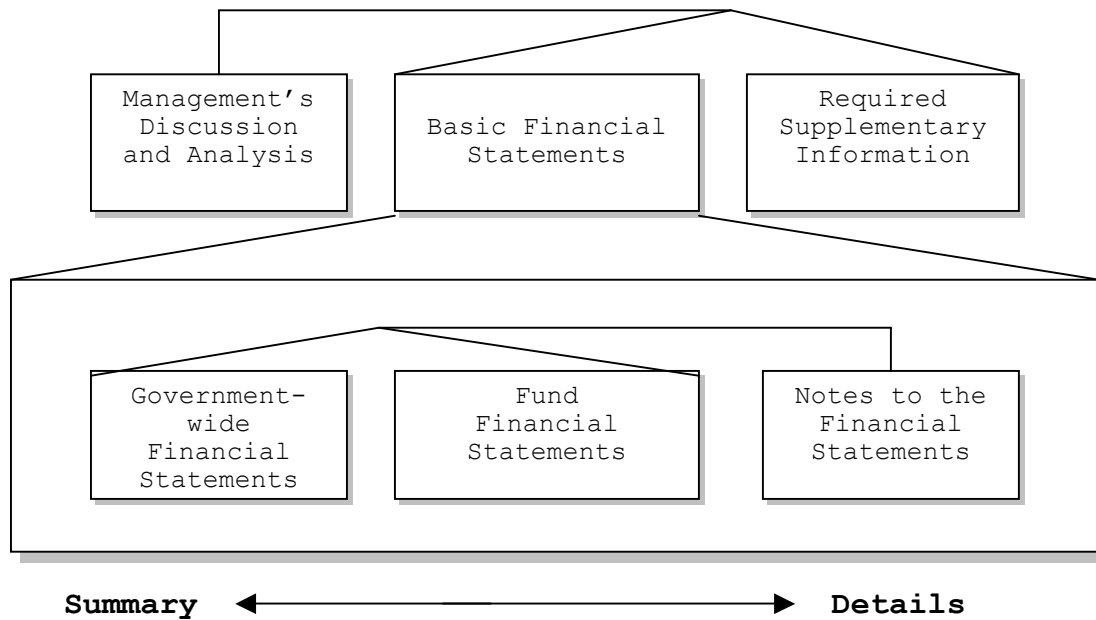


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and community education programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Community Education Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to 2003.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2004	2003	2004	2003	2004	2003	2003-04
	\$	\$	\$	\$	\$	\$	
Current assets	10,843	4,762	22	37	10,865	4,799	126.40%
Capital assets	1,776	2,028	27	28	1,803	2,056	-12.31%
Total assets	<u>12,619</u>	<u>6,790</u>	<u>49</u>	<u>65</u>	<u>12,668</u>	<u>6,855</u>	<u>84.80%</u>
Current liabilities	2,442	2,495	-	-	2,442	2,495	-2.12%
Non-current liabilities	6,343	139	-	-	6,343	139	4463.31%
Total liabilities	<u>8,785</u>	<u>2,634</u>	<u>-</u>	<u>-</u>	<u>8,785</u>	<u>2,634</u>	<u>233.52%</u>
Net Assets							
Invested in capital assets, net of related debt	1,743	1,973	27	28	1,770	2,001	-11.54%
Restricted	1,093	690	-	-	1,093	690	58.41%
Unrestricted	998	1,493	22	37	1,020	1,530	-33.33%
Total net assets	<u>3,834</u>	<u>4,156</u>	<u>49</u>	<u>65</u>	<u>3,883</u>	<u>4,221</u>	<u>-8.01%</u>

The District's combined net assets were greater at June 30, 2004 than June 30, 2003. The increase occurred as a result of using special revenue and debt service revenues for capital asset purchases and debt retirement.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4			
Change in Net Assets			
(expressed in thousands)			
	Governmental	Business-type	Total
	Activities	Activities	School
	\$	\$	District
			\$
Revenues:			
Program revenues:			
Charges for service and sales	125	160	285
Operating grants, contributions			
and restricted interest	1,290	171	1,461
General revenues:			
Property tax	2,413	-	2,413
Local option sales tax	262	-	262
Unrestricted state grants	3,328	-	3,328
Unrestricted investment earnings	40	-	40
Other	146	-	146
Total revenues	<u>7,604</u>	<u>331</u>	<u>7,935</u>
Program expenses:			
Governmental activities:			
Instruction	4,518	-	4,518
Support Services	2,507	-	2,507
Non-instructional programs	253	347	600
Other expenses	648	-	648
Total expenses	<u>7,926</u>	<u>347</u>	<u>8,273</u>
Change in net assets	<u>(322)</u>	<u>(16)</u>	<u>(338)</u>

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,598,018 and expenses were \$7,677,953. In a difficult budget year the District was forced to tap into reserves to offset spending cuts done in mid year.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	4,518	3,684
Support Services	2,507	2,484
Non-instructional programs	253	-
Other expenses	<u>648</u>	<u>343</u>
Totals	<u>7,926</u>	<u>6,511</u>

- The cost financed by users of the District's programs was \$124,572.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$983,996.
- The net cost of governmental activities was financed with \$2,413,036 in property tax, \$3,327,616 in state foundation aid, and \$40,308 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$331,224 and expenses were \$346,909. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted the Eagle Grove Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,833,497, eight percent below last year's ending fund balances of \$4,155,881.

Governmental Fund Highlights

- The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items, however, a mid-year 2.5% state aid cut hampered efforts to do so.
- The maintaining of funds was made even more difficult with the state cutting the amount of Phase III money received by the District, and completely eliminating the technology money. There was also an across-the-board reduction in state funding. The mid-year timing of the cut forced the District to tap into its reserves to fund expenditures.
- The District issued \$6.23 million in general obligation bonds for new construction and remodeling.

Proprietary Fund Highlights

The Nutrition Fund struggles to maintain a positive balance given increases in food and salary costs. The District has attempted to maintain prices at a reasonable level.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$80,000 less than the total budgeted receipts. Decreases in miscellaneous revenues and state funding are forcing the District to look for other sources of funding.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2004, the District has invested more than \$6 million in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$250,000.

Long-Term Debt

The District issued \$6.23 million of bonds in April 2004. This will be used for construction and remodeling of an elementary school. The bonds will be repaid with proceeds from the School Infrastructure Local Option Sales Tax.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District is experiencing decreasing enrollment the past several years. Early projections would indicate decline in official enrollment for the 2004-05 school year.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.

- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- Voters in Wright County approved a 1 cent School Infrastructure Local Option (SILO) Sales tax with collections beginning July 1, 2003. The funds are being used for building projects and future debt relief.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Sadler, Business Manager, Eagle Grove Community School District, 216 N Commercial, Eagle Grove, IA 50533.

Basic Financial Statements

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	8,231,372	17,852	8,249,224
Receivables:			
Property tax:			
Current year	24,896	-	24,896
Succeeding year	2,421,057	-	2,421,057
Due from other governments	83	-	83
Other receivables	165,275	-	165,275
Inventories	-	4,804	4,804
Capital assets, net of accumulated depreciation (note 3)	1,776,301	26,590	1,802,891
Total assets	12,618,984	49,246	12,668,230
Liabilities and Fund Balances			
Liabilities:			
Accrued interest payable	20,897	-	20,897
Deferred revenue:			
Succeeding year property tax	2,421,057	-	2,421,057
Long term liabilities:			
Portion due within one year:			
Bonds payable	235,000	-	235,000
Capital loan notes payable	22,000	-	22,000
Early retirement	40,133	-	40,133
Portion due after one year:			
Bonds payable	5,995,000	-	5,995,000
Capital loan notes payable	11,000	-	11,000
Early retirement	40,400	-	40,400
Total liabilities	8,785,487	-	8,785,487
Net assets:			
Invested in capital assets, net of related debt	1,743,301	26,590	1,769,891
Restricted for:			
Management levy	255,305	-	255,305
Physical plant and equipment levy	23,032	-	23,032
Capital projects	814,311	-	814,311
Unrestricted	997,548	22,656	1,020,204
Total net assets	3,833,497	49,246	3,882,743

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
<u>Functions/Programs</u>						
Governmental activities:						
Instruction:						
Regular instruction	2,651,330	124,572	138,962	(2,387,796)	-	(2,387,796)
Special instruction	1,193,018	-	283,256	(909,762)	-	(909,762)
Other instruction	673,855	-	287,879	(385,976)	-	(385,976)
	<u>4,518,203</u>	<u>124,572</u>	<u>710,097</u>	<u>(3,683,534)</u>	<u>-</u>	<u>(3,683,534)</u>
Support services:						
Student services	274,259	-	2,602	(271,657)	-	(271,657)
Instructional staff services	393,046	-	-	(393,046)	-	(393,046)
Administration services	976,983	-	-	(976,983)	-	(976,983)
Operation and maintenance of plant services	581,850	-	18,907	(562,943)	-	(562,943)
Transportation services	280,667	-	945	(279,722)	-	(279,722)
	<u>2,506,805</u>	<u>-</u>	<u>22,454</u>	<u>(2,484,351)</u>	<u>-</u>	<u>(2,484,351)</u>
Non-instructional programs						
Community service and education	252,935	-	252,935	-	-	-
Other expenditures:						
Facilities acquisition and construction	93,694	-	25,867	(67,827)	-	(67,827)
Long-term debt interest	23,723	-	-	(23,723)	-	(23,723)
AEA flowthrough	278,690	-	278,690	-	-	-
Depreciation (unallocated) *	251,692	-	-	(251,692)	-	(251,692)
	<u>647,799</u>	<u>-</u>	<u>304,557</u>	<u>(343,242)</u>	<u>-</u>	<u>(343,242)</u>
Total governmental activities	7,925,742	124,572	1,290,043	(6,511,127)	-	(6,511,127)

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					
		Charges for	Operating Grants, Contributions and Restricted	Governmental	Business-Type	
	Expenses	Service	Interest	Activities	Activities	Total
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs						
Nutrition services	346,909	160,346	170,878	-	(15,685)	(15,685)
Total	8,272,651	284,918	1,460,921	(6,511,127)	(15,685)	(6,526,812)
General revenues:						
Property tax levied for:						
General purposes				2,009,123	-	2,009,123
Management fund				199,959	-	199,959
Capital outlay				203,954	-	203,954
Local option sales tax				261,566	-	261,566
Unrestricted state grants				3,327,616	-	3,327,616
Unrestricted investment earnings				40,308	-	40,308
Other				146,217	-	146,217
Total general revenue				6,188,743	-	6,188,743
Change in net assets				(322,384)	(15,685)	(338,069)
Net assets beginning of year				4,155,881	64,931	4,220,812
Net assets end of year				3,833,497	49,246	3,882,743

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2004

	General	Capital Projects	Non-major	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	769,042	7,044,311	418,019	8,231,372
Receivables:				
Property tax:				
Current year	22,635	-	2,261	24,896
Succeeding year	2,147,927	-	273,130	2,421,057
Due from other governments	83	-	-	83
Other receivables	165,275	-	-	165,275
Total assets	<u>3,104,962</u>	<u>7,044,311</u>	<u>693,410</u>	<u>10,842,683</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	2,147,927	-	273,130	2,421,057
Total liabilities	<u>2,147,927</u>	<u>-</u>	<u>273,130</u>	<u>2,421,057</u>
Fund balances:				
Reserved for capital projects	-	7,044,311	-	7,044,311
Unreserved, undesignated	957,035	-	420,280	1,377,315
Total fund balance	<u>957,035</u>	<u>7,044,311</u>	<u>420,280</u>	<u>8,421,626</u>
Total liabilities and fund balances	<u>3,104,962</u>	<u>7,044,311</u>	<u>693,410</u>	<u>10,842,683</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)		\$ 8,421,626
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,776,301
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(20,897)
Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	(6,230,000)	
Capital loan notes payable	(33,000)	
Early retirement	(80,533)	(6,343,533)
Net assets of governmental activities (Exhibit A)		<u>\$ 3,833,497</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,009,123	-	261,566	403,913	2,674,602
Tuition	75,470	-	-	-	75,470
Other	234,457	-	25,408	276,469	536,334
State sources	4,001,189	-	-	6,285	4,007,474
Federal sources	304,138	-	-	-	304,138
Total revenues	6,624,377	-	286,974	686,667	7,598,018
Expenditures:					
Instruction:					
Regular instruction	2,623,173	-	-	30,957	2,654,130
Special instruction	1,193,018	-	-	-	1,193,018
Other instruction	405,682	-	-	268,173	673,855
	4,221,873	-	-	299,130	4,521,003
Support services:					
Student services	274,259	-	-	-	274,259
Instructional staff services	393,046	-	-	-	393,046
Administration services	927,678	-	-	49,305	976,983
Operation and maintenance of plant services	540,252	-	-	41,598	581,850
Transportation services	260,962	-	-	19,705	280,667
	2,396,197	-	-	110,608	2,506,805
Non-instructional programs:					
Community service and education	252,935	-	-	-	252,935
Other expenditures:					
Facilities acquisition and construction	-	-	-	93,694	93,694
Long-term debt:					
Principal	-	22,000	-	-	22,000
Interest	-	2,826	-	-	2,826
AEA flowthrough	278,690	-	-	-	278,690
	278,690	24,826	-	93,694	397,210
Total expenditures	7,149,695	24,826	-	503,432	7,677,953

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	(525,318)	(24,826)	286,974	183,235	(79,935)
Other financing sources (uses):					
Proceeds from issuance of bonds	-	-	6,230,459	-	6,230,459
Sale of equipment and materials	4,881	-	-	-	4,881
Operating transfers in	-	24,826	-	-	24,826
Operating transfers out	-	-	-	(24,826)	(24,826)
	4,881	24,826	6,230,459	(24,826)	6,235,340
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(520,437)	-	6,517,433	158,409	6,155,405
Fund balances beginning of year, as restated (note 11)	1,477,472	-	526,878	261,871	2,266,221
Fund balances end of year	957,035	-	7,044,311	420,280	8,421,626

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (Exhibit E) \$ 6,155,405

**Amounts reported for governmental activities in the
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Depreciation expense	(251,692)
----------------------	-----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Issued	(6,230,000)
Repaid	22,000

Additions to early retirement increase long-term liabilities in the Statement of Assets, but are not shown in the governmental funds. Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(32,000)
Payments	34,800

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(20,897)

Change in net assets of governmental activities (Exhibit B)	<u>\$ (322,384)</u>
--	----------------------------

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>160,346</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	108,771
Benefits	42,715
Services	2,322
Supplies	185,902
Other	3,043
Depreciation	<u>4,156</u>
Total operating expenses	<u>346,909</u>
Operating profit (loss)	<u>(186,563)</u>
Non-operating revenues:	
Interest on investments	23
State sources	4,771
Federal sources	<u>166,084</u>
	<u>170,878</u>
Change in net assets	(15,685)
Net assets beginning of year	<u>64,931</u>
Net assets end of year	<u><u>49,246</u></u>

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of services	160,346
Cash payments to employees for services	(151,486)
Cash payments to suppliers for goods or services	<u>(161,791)</u>
Net cash provided by (used in) operating activities	<u>(152,931)</u>
Cash flows from non-capital financing activities:	
State grants received	4,771
Federal grants received	<u>137,544</u>
Net cash provided by non-capital financing activities	<u>142,315</u>
Cash flows from capital financing activities:	
Acquisition of fixed assets	<u>(3,173)</u>
Cash flows from investing activities:	
Interest on investments	<u>23</u>
Net increase (decrease) in cash and cash equivalents	(13,766)
Cash and cash equivalents beginning of year	<u>31,618</u>
Cash and cash equivalents end of year	<u><u>17,852</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(186,563)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	4,156
Commodities used	28,540
Decrease in inventory	<u>936</u>
	<u>(152,931)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>17,852</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received federal commodities valued at \$28,540.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Eagle Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Eagle Grove, Iowa, and agricultural territory in Wright, Webster and Humboldt Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. For financial reporting purposes, Eagle Grove Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Eagle Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management that can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other Non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition and Community Education Funds. These funds are used to account for the food service and community wide education operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 131,192	-	-	131,192
Capital assets being depreciated:				
Improvements other than buildings	226,145	-	-	226,145
Buildings	3,607,171	-	-	3,607,171
Furniture and Equipment	2,355,391	-	-	2,355,391
Total capital assets being depreciated	6,188,707	-	-	6,188,707
Less accumulated depreciation for:				
Improvements other than buildings	177,536	11,307	-	188,843
Buildings	2,418,728	72,143	-	2,490,871
Furniture and Equipment	1,695,642	168,242	-	1,863,884
Total accumulated depreciation	4,291,906	251,692	-	4,543,598
Total capital assets being depreciated, net	1,896,801	(251,692)	-	1,645,109
Governmental activities, capital assets, net	\$ 2,027,993	(251,692)	-	1,776,301
Business type activities				
Furniture and Equipment	46,696	3,173	-	49,869
Less accumulated depreciation	19,123	4,156	-	23,279
Business type activities capital assets, net	\$ 27,573	(983)	-	26,590
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 251,692
Business type activities:				
Food service operations				\$ 4,156

(4) Capital Loan Notes Payable

Details of the District's June 30, 2004 capital loan note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$22,000	1,540	23,540
2006	11,000	308	11,308
Total	\$33,000	1,848	34,848

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	Capital Loan Notes	GO Bonds Payable	Early Retirement	Total
Balance beginning of year	\$55,000	-	83,333	138,333
Additions	-	6,230,000	32,000	6,262,000
Reductions	<u>22,000</u>	<u>-</u>	<u>34,800</u>	<u>56,800</u>
Balance end of year	<u>\$33,000</u>	<u>6,230,000</u>	<u>80,533</u>	<u>6,343,533</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$229,415, \$232,284, and \$225,896 respectively, equal to the required contributions for each year.

(7) Risk Management

Eagle Grove Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$278,690 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$16,000. Early retirement benefits paid during the year ended June 30, 2004 totaled \$34,800.

(10) Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u> %	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2005	3.00	235,000	229,869	464,869
2006	3.00	220,000	243,716	463,716
2007	3.00	225,000	237,116	462,116
2008	3.00	235,000	230,366	465,366
2009	3.00	245,000	223,316	468,316
2010	3.00	250,000	215,966	465,966
2011	3.00	260,000	208,466	468,466
2012	3.00	270,000	199,366	469,366
2013	3.00	280,000	188,566	468,566
2014	3.00	300,000	174,566	474,566
2015	3.00	305,000	159,566	464,566
2016	3.00	320,000	147,824	467,824
2017	3.00	335,000	135,024	470,024
2018	3.00	345,000	121,456	466,456
2019	3.00	360,000	107,225	467,225
2020	3.00	375,000	91,925	466,925
2021	3.00	390,000	75,613	465,613
2022	3.00	410,000	58,258	468,258
2023	3.00	425,000	39,807	464,807
2024	3.00	445,000	20,470	465,470
Total		<u>6,230,000</u>	<u>3,108,481</u>	<u>9,338,481</u>

(11) Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental Accounting Standards Board (GASB) Statement Number 38, Certain Financial Statement Note Disclosure, requires certain disclosures be made in the notes to the financial statements concurrent with the implementation of Statement Number 34.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund			
	General	Capital Projects	Nonmajor Special Revenues	Total
Net assets, June 30, 2003, as previously reported	\$1,477,472	526,878	227,071	2,231,421
GASB Interpretation 6 adjustments	-	-	34,800	34,800
Net assets, July 1, 2003, as restated for governmental funds	<u>\$1,477,472</u>	<u>526,878</u>	<u>261,871</u>	2,266,221
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of \$4,291,906				2,027,993
Long-Term Liabilities:				
Early retirement payable			(83,333)	
Capital loan notes payable			<u>(55,000)</u>	<u>(138,333)</u>
Net assets, July 1, 2003, as restated				<u>\$4,155,881</u>

(12) Commitment

The District issued \$6,230,000 in general obligation bonds for the construction of a new elementary school, as well as, additions to and remodeling of the existing middle school building. Bids had not been let at the time of the audit. It is anticipated that construction will begin in 2005.

Required Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	3,147,501	160,369	3,307,870	3,735,777	3,735,777	(427,907)
State sources	4,007,474	4,771	4,012,245	4,230,459	4,230,459	(218,214)
Federal sources	304,138	137,544	441,682	640,000	640,000	(198,318)
Total receipts	7,459,113	302,684	7,761,797	8,606,236	8,606,236	(844,439)
Disbursements:						
Instruction	4,539,753	-	4,539,753	5,829,434	5,829,434	1,289,681
Support services	2,506,805	-	2,506,805	2,793,828	2,793,828	287,023
Non-instructional programs	252,935	316,450	569,385	619,848	619,848	50,463
Other expenditures	397,210	-	397,210	1,625,871	1,625,871	1,228,661
Total disbursements	7,696,703	316,450	8,013,153	10,868,981	10,868,981	2,855,828
Excess (deficiency) of receipts over (under) disbursements	(237,590)	(13,766)	(251,356)	(2,262,745)	(2,262,745)	2,011,389
Other financing sources (uses)	6,235,340	-	6,235,340	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,997,750	(13,766)	5,983,984	(2,262,745)	(2,262,745)	2,011,389
Balance beginning of year	2,233,622	31,618	2,265,240	2,423,241	2,423,241	3,347,565
Balance end of year	8,231,372	17,852	8,249,224	160,496	160,496	5,358,954

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 7,459,113	138,905	7,598,018
Expenditures	7,696,703	(18,750)	7,677,953
Net	(237,590)	157,655	(79,935)
Other financing sources (uses)	6,235,340	-	6,235,340
Beginning fund balances	2,233,622	32,599	2,266,221
Ending fund balances	<u>\$ 8,231,372</u>	<u>190,254</u>	<u>8,421,626</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 302,684	28,540	331,224
Expenditures	316,450	30,459	346,909
Net	(13,766)	(1,919)	(15,685)
Beginning fund balances	31,618	33,313	64,931
Ending fund balances	<u>\$ 17,852</u>	<u>31,394</u>	<u>49,246</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis
budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Disbursements did not exceed the amounts budgeted in any of the four functions.

Other Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	333,577	61,410	23,032	418,019
Property tax receivable:				
Current year	2,261	-	-	2,261
Succeeding year	100,000	-	173,130	273,130
Total assets	<u>435,838</u>	<u>61,410</u>	<u>196,162</u>	<u>693,410</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	100,000	-	173,130	273,130
Fund equity:				
Unreserved fund balances	335,838	61,410	23,032	420,280
Total liabilities and fund equity	<u>435,838</u>	<u>61,410</u>	<u>196,162</u>	<u>693,410</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	199,959	-	203,954	403,913
Other	12,622	263,847	-	276,469
State sources	3,132	-	3,153	6,285
Total revenues	215,713	263,847	207,107	686,667
Expenditures:				
Instruction:				
Regular instruction	30,957	-	-	30,957
Co-curricular instruction	-	268,173	-	268,173
Support services:				
Administration services	49,305	-	-	49,305
Plant operation and maintenance	40,018	-	1,580	41,598
Student transportation	19,705	-	-	19,705
Other expenditures:				
Facilities acquisition and construction	-	-	93,694	93,694
Total expenditures	139,985	268,173	95,274	503,432
Excess (deficiency) of revenues over (under) expenditures	75,728	(4,326)	111,833	183,235
Other financing (uses):				
Operating transfers out	-	-	(24,826)	(24,826)
Total operating financing (uses)	-	-	(24,826)	(24,826)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	75,728	(4,326)	87,007	158,409
Fund balances beginning of year, as restated (note 11)	260,110	65,736	(63,975)	261,871
Fund balances end of year	335,838	61,410	23,032	420,280

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
HS Musical	6,823	2,466	2,212	7,077
HS Speech/Drama	154	460	359	255
MS Speech/Drama	(374)	374	-	-
Trip Fund/Music Department	7,796	21,273	24,565	4,504
Music Concession Account	6,021	13,991	16,255	3,757
Color Guard	344	1,752	1,504	592
HS Music Account	5,712	1,431	264	6,879
Middle School Music	(120)	274	329	(175)
General Athletic Account	38	2,170	873	1,335
Athletic Uniforms	(567)	567	-	-
HS Boys Basketball	241	4,242	3,489	994
Boys Basketball Camp	282	780	659	403
MS Boys Basketball	(1,000)	1,000	400	(400)
HS Football	2,660	11,265	15,004	(1,079)
MS Football	(1,132)	1,132	1,050	(1,050)
Football Camp	904	986	1,045	845
Baseball	(1,189)	9,343	10,821	(2,667)
Baseball Clinic	-	-	-	-
HS Cross Country	326	1,092	873	545
HS Cross Country Extracurricular	758	581	410	929
HS Boys Track	(1,887)	4,243	1,557	799
MS Boys Track	(140)	425	665	(380)
HS Boys Golf	(88)	6	137	(219)
HS Wrestling	(169)	8,204	8,794	(759)
MS Wrestling	(180)	180	50	(50)
HS Girls Basketball	1,796	3,729	4,080	1,445
MS Girls Basketball	(705)	705	700	(700)
Volleyball Camp	32	-	-	32
HS Volleyball	542	3,437	4,018	(39)
MS Volleyball	(450)	450	400	(400)
Softball	(2,198)	854	1,043	(2,387)
HS Girls Cross Country	369	962	706	625
HS Girls Cross Country Extracurricular	546	532	115	963
HS Girls Track	(754)	1,252	646	(148)
MS Girls Track	(165)	565	735	(335)
HS Girls Golf	(196)	196	248	(248)
Interest Account	418	1,018	418	1,018
HS Annual	(10,250)	7,680	7,221	(9,791)
Book Fair	328	8,744	8,508	564
Student Extracurricular	1,280	4,047	4,495	832
HS Student Fundraising	7	11,748	11,141	614
Student Activity Tickets	8,867	10,224	8,867	10,224

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Adult Activity Tickets	1,540	1,195	1,540	1,195
HS Quiz Bowl	1,109	504	839	774
MS Student Senate	13,047	32,565	29,261	16,351
MS Student Fundraising	299	-	-	299
Cheerleaders	669	4,476	4,615	530
Drill Team	5,856	33,002	37,450	1,408
FFA	3,115	8,727	9,400	2,442
Spanish Club	5,041	9,844	6,911	7,974
National Honor Society	838	7,460	7,943	355
FBLA	885	16,490	18,618	(1,243)
HS Student Senate	13	366	337	42
Robert Blue School Yearbook	2,477	1,287	3,316	448
Class of 2003	22	-	22	-
Class of 2004	1,080	635	1,076	639
Class of 2005	1,866	570	1,300	1,136
Class of 2006	1,599	726	809	1,516
Class of 2007	1,600	20	80	1,540
Class of 2008	-	1,600	-	1,600
Totals	65,736	263,847	268,173	61,410

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

For the Last Four Years

	Years ended June 30,			
	2004	2003	2002	2001
Local sources:				
General	2,009,123	2,056,694	2,455,930	2,544,930
Special revenue	403,913	404,619	306,021	297,313
Capital projects	<u>261,566</u>	<u>241,506</u>	<u>196,563</u>	<u>72,100</u>
	<u>2,674,602</u>	<u>2,702,819</u>	<u>2,958,514</u>	<u>2,914,343</u>
State sources:				
General	4,001,189	3,858,953	3,858,202	3,978,721
Special revenue	30,957	9,248	2,024	6,413
School nutrition	<u>4,771</u>	<u>4,988</u>	<u>4,872</u>	<u>5,174</u>
	<u>4,036,917</u>	<u>3,873,189</u>	<u>3,865,098</u>	<u>3,990,308</u>
Federal sources:				
General	304,138	263,332	190,225	134,599
School nutrition	<u>166,084</u>	<u>152,888</u>	<u>146,036</u>	<u>127,167</u>
	<u>470,222</u>	<u>416,220</u>	<u>336,261</u>	<u>261,766</u>
Total	<u><u>7,181,741</u></u>	<u><u>6,992,228</u></u>	<u><u>7,159,873</u></u>	<u><u>7,166,417</u></u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550	FY04	<u>28,540</u>
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY04	20,200
National School Lunch Program	10.555	FY04	<u>120,151</u>
			<u>140,351</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1944-G-04	106,767
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY04	2,602
Innovative Education Program Strategies	84.298	FY04	6,661
21st Century Community Learning Centers Program	84.287	FY04	252,934
Improving Teacher Quality - States Grants	84.367	FY04	32,769
Grants for Assessments and Related Activities	84.369	FY04	5,382
Star Schools	84.203	FY04	25,000
Vocational Education - Basic Grants to States	84.048	FY04	<u>11,619</u>
Total			<u><u>612,625</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards included the federal grant activity of Eagle Grove Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Independent Auditor's Report on Compliance and
on Internal Control over Financial Reporting**

To the Board of Education of the
Eagle Grove Community School District:

We have audited the general purpose financial statements of the Eagle Grove Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Eagle Grove Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for Item 04-IV-E.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eagle Grove Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Eagle Grove Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-II-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-II-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eagle Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

September 23, 2004

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

To the Board of Education of the
Eagle Grove Community School District:

Compliance

We have audited the compliance of Eagle Grove Community School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Eagle Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Eagle Grove Community School District's management. Our responsibility is to express an opinion on Eagle Grove Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Grove Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eagle Grove Community School District's compliance with those requirements.

In our opinion Eagle Grove Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Eagle Grove Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eagle Grove Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Eagle Grove Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item 04-III-A Part III of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

BRUCE D. FRINK
Certified Public Accountant

September 23, 2004

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
 - (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.287 - 21st Century Community Learning CentersSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eagle Grove Community School District did not qualify as a low-risk auditee.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

04-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.287 21st Century Community Learning Centers

Federal Award Year: 2004

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2004

US Department of Agriculture

Passed through Iowa Department of Education

04-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

04-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-IV-B Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

04-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

04-IV-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jon Rowen, Board President Owner of J & J Sports	Supplies	\$3,918

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Mr. Rowen appears to represent a conflict of interest since the total exceeded \$2,500 for the fiscal year.

Recommendation - The District should consult legal counsel to determine the disposition of this matter. Expenditures of this type should be reviewed annually.

Response - We will review these on an annual basis.

Conclusion - Response accepted.

04-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

04-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

04-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

04-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

04-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

